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# In the Supreme Court of the United States

OCTOBER TERM, 1943.

FEDERAL POWER COMMISSION, CITY OF  
AKRON, AND PENNSYLVANIA PUBLIC  
UTILITY COMMISSION, PETITIONERS,

vs.

HOPE NATURAL GAS COMPANY.

CITY OF CLEVELAND,

*Petitioner,*

vs.

HOPE NATURAL GAS COMPANY,

*Respondent.*

No. 34

No. 35

ON WRITS OF CERTIORARI TO THE UNITED STATES CIRCUIT  
COURT OF APPEALS FOR THE FOURTH CIRCUIT.

HOPE NATURAL GAS COMPANY.

SCHEDULES FROM BRIEFS AND EXHIBITS.

WILLIAM B. COCKLEY,

*Attorney for Hope Natural Gas Company.*

October 20, 1943.

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**SCHEDULE I****HOPE NATURAL GAS COMPANY****Annual Gas Sales—M.c.f.**

|   | 1937       | 1938       | 1939       | 1940*      |
|---|------------|------------|------------|------------|
| Total Local Sales of Gas in West Virginia | 11,428,353 | 8,632,673  | 9,732,983  | 11,320,325 |
| Export Gas Sales:                         |            |            |            |            |
| To East Ohio                              | 35,074,416 | 30,316,773 | 33,907,672 | 40,376,091 |
| To Peoples                                | 3,506,013  | 2,870,545  | 3,864,104  | 9,738,612  |
| To River                                  | 330,644    | 222,615    | 237,640    | 391,859    |
| To Fayette                                | 849,305    | 837,986    | 840,398    | 859,106    |
| To Manufacturers                          | 4,523,967  | 3,995,563  | 2,500,755  | 2,241,684  |
| Total Export Gas Sales                    | 44,284,945 | 38,243,482 | 41,350,569 | 53,607,352 |
| Total Gas Sales                           | 55,712,698 | 46,876,155 | 51,083,552 | 64,927,677 |

\* Excluding per stipulation (Ex. 77) sales from former Reserve Gas Company properties merged with Hope on December 30, 1939.

(From Hope Brief, p. 4)

**SCHEDULE II****HOPE NATURAL GAS COMPANY**

**Comparison of Net Returns from Interstate Business, 1937-1940, Based on Hope's and Commission Staff's Claims as to Operating Expenses**

|                                   | <b>Hope</b> | <b>Commission Staff</b> |
|-----------------------------------|-------------|-------------------------|
| 1937 .....                        | \$2,587,901 | \$3,244,904             |
| 1938 .....                        | 730,529     | 1,186,435               |
| 1939 .....                        | 2,174,361   | 3,020,246               |
| 1940 .....                        | 4,574,804   | 5,576,982               |
| 3-Year Average—1937 to 1939 ..... | 1,830,930   | 2,483,862               |
| 4-Year Average—1937 to 1940 ..... | 2,516,899   | 3,257,142               |

(From Hope Brief, p. 116; Hope figures from Ex. 133, p. 1)

**Net Returns from Interstate Business on Commission Basis if Rates Fixed by It for the Future Had Been in Effect in the Years 1937 to 1939**

|                      | <b>Net Interstate Operating Income</b> |
|----------------------|--|
| 1937 .....           | \$ 708,653                             |
| 1938 .....           | (1,394,164) Loss                       |
| 1939 .....           | 333,502                                |
| 3-Year Average ..... | \$ (117,336) Loss                      |

(From Hope Brief, p. 123)

**SCHEDULE III****HOPE NATURAL GAS COMPANY****Rate Bases Found by the Commission**

|   | December 31,<br>1938 | December 31,<br>1940 |
|---|----------------------|----------------------|
|   | (1)                  | (2)                  |
| "Gross Investment in Gas Plant in Service" (including all leaseholds) ..... | \$51,792,000         | \$52,523,000         |
| Less: "Actual Existing Depletion and Depreciation" .....                    | 21,188,000           | 22,328,000           |
| "Net Investment" .....  | \$30,604,000         | \$30,195,000         |
| Add: "Working Capital" .....  | 2,100,000            | 2,125,000            |
| "Interstate Rate Base" .....  | \$32,704,000         | \$32,320,000         |
| Add: "Net Capital Additions, 1941, 1942, 1943" .....                        |                      | 1,392,000            |
| Total Future Rate Base .....  |                      | \$33,712,000         |

(From Hope Brief, p. 28;  
also Opinion, R. I., p. 50)

**SCHEDULE IV****HOPE NATURAL GAS COMPANY****Original Cost—Difference Between Hope's Evidence  
and Commission's Findings as of December 31, 1938**

|   |                     |
|---|---------------------|
| Hope's Evidence as to Original Cost ..... | \$69,735,000        |
| Commission's Adjusted Book Cost .....     | 51,792,000          |
| Difference .....                          | <u>\$17,943,000</u> |

This difference is due to the omission from the Commission's Adjusted Book Cost of the following principal classes of items:

|   |                     |
|---|---------------------|
| Drilling and other direct well construction costs<br>for 2633 wells .....                                     | \$12,643,641        |
| Other direct material and labor costs of build-<br>ings, pipe lines and other miscellaneous<br>property ..... | 1,380,154           |
| Field and general overheads, including interest<br>during construction .....                                  | 3,825,126           |
|   | <u>\$17,848,921</u> |

(From Hope Brief, pp. 28-29, 33)

# SCHEDULE V

## HOPE NATURAL GAS COMPANY

### "The Leasehold Costs of Natural Gas Produced"

|  | Method of Handling<br>The Exploration And<br>Development Costs |   |
|--|--|---|
|  | Industry<br>Practice Of<br>Charging To<br>Expense              | Capitalization<br>Method<br>Used in This<br>Exhibit |
|  | (1)  | (2)   |
| <b>"Depreciated Costs as of December 31, 1938 for<br/>Inclusion in Rate Base</b> |  |   |
| Operated acreage—acquisition cost .....  | \$ 482,311   | \$ 482,311  |
| Net remainder of accumulated exploration<br>and development costs .....          |  | 5,331,236   |
| Unoperated acreage—acquisition cost .....  | 681,882  |   |
| Total for rate base .....  | \$1,164,193  | \$5,813,547   |
| <b>"Average 1937, 1938 and 1939 Exploration and<br/>Development Costs</b>        |  |   |
| Delay rentals .....  | \$ 450,981   | \$ —  |
| Loss on unoperated leases cancelled .....  | 49,543   | —   |
| Non-productive drilling costs .....  | 53,037   | —   |
| Depletion of operated acreage @ 4.77 per cent .....                              | 23,006   | 23,006  |
| Depletion of exploration and development<br>costs @ 4.77 per cent .....          | —  | 254,300   |
| Return on rate base at 8 per cent .....  | 93,135   | 465,084   |
| Total .....  | \$ 669,702   | \$ 742,390  |
| With return on rate base at 6½ per cent the<br>total figures become .....        | \$ 652,240   | \$ 655,187  |

(Copy of Table on p. 11 of Rhodes' Ex. 26, "The Leasehold Costs of Natural Gas Produced," with last line from Hope Brief, footnote p. 45)

# SCHEDULE VI

## HOPE NATURAL GAS COMPANY

Original Cost and Original Cost Trended to 1938 Prices of  
Hope's Production, Transmission and General Properties  
Existing at December 31, 1938

| Year First<br>Placed in<br>Public Service | Original Cost       | Original Cost<br>Trended To<br>1938 Prices |
|---|---------------------|--|
| (1)                                       | (2)                 | (3)  |
| 1891                                      | \$ 9,732            | \$ 30,400                                  |
| 1892                                      | 203,822             | 487,857                                    |
| 1893                                      | 52,126              | 135,566                                    |
| 1894                                      | 74,419              | 192,547                                    |
| 1895                                      | 68,264              | 194,183                                    |
| 1896                                      | 26,292              | 81,773                                     |
| 1897                                      | 41,064              | 129,073                                    |
| 1898                                      | 40,043              | 100,865                                    |
| 1899                                      | 239,067             | 477,298                                    |
| 1900                                      | 177,521             | 424,916                                    |
| 1901                                      | 118,241             | 274,326                                    |
| 1902                                      | 1,229,574           | 2,228,121                                  |
| 1903                                      | 1,823,267           | 3,363,441                                  |
| 1904                                      | 2,088,446           | 4,252,002                                  |
| 1905                                      | 1,008,070           | 2,569,486                                  |
| 1906                                      | 440,829             | 977,413                                    |
| 1907                                      | 1,588,829           | 2,990,262                                  |
| 1908                                      | 796,342             | 1,578,711                                  |
| 1909                                      | 1,146,626           | 2,522,741                                  |
| 1910                                      | 2,150,919           | 4,532,162                                  |
| 1911                                      | 2,632,698           | 5,291,264                                  |
| 1912                                      | 1,429,618           | 3,213,789                                  |
| 1913                                      | 2,640,408           | 5,729,962                                  |
| 1914                                      | 1,691,034           | 3,787,696                                  |
| 1915                                      | 1,285,027           | 2,838,853                                  |
| 1916                                      | 2,247,279           | 4,046,968                                  |
| <b>Total 1891-1916</b>                    | <b>\$25,249,550</b> | <b>\$52,451,675</b>                        |
| 1917                                      | 3,090,157           | 4,634,837                                  |
| 1918                                      | 2,732,017           | 3,554,480                                  |
| 1919                                      | 3,103,006           | 3,851,272                                  |
| 1920                                      | 2,507,985           | 2,759,541                                  |
| 1921                                      | 3,195,259           | 3,887,959                                  |
| 1922                                      | 1,031,019           | 1,458,934                                  |
| 1923                                      | 2,334,062           | 2,967,252                                  |
| 1924                                      | 3,065,508           | 3,559,552                                  |
| 1925                                      | 7,231,827           | 8,306,766                                  |
| 1926                                      | 2,484,197           | 2,752,025                                  |
| 1927                                      | 2,040,911           | 2,274,092                                  |
| 1928                                      | 1,155,524           | 1,325,453                                  |
| 1929                                      | 1,734,331           | 1,897,881                                  |
| 1930                                      | 1,395,355           | 1,641,396                                  |

| (1)                          | (2)                 | (3)                  |
|------------------------------|---------------------|----------------------|
| 1891                         | \$ 9,732            | \$ 30,400            |
| 1892                         | 203,822             | 487,857              |
| 1893                         | 52,126              | 135,566              |
| 1894                         | 74,419              | 192,547              |
| 1895                         | 68,264              | 194,183              |
| 1896                         | 26,292              | 81,773               |
| 1897                         | 41,064              | 129,073              |
| 1898                         | 40,043              | 100,865              |
| 1899                         | 239,067             | 477,298              |
| 1900                         | 177,521             | 424,916              |
| 1901                         | 118,241             | 274,326              |
| 1902                         | 1,229,574           | 2,228,121            |
| 1903                         | 1,823,260           | 3,363,441            |
| 1904                         | 2,088,446           | 4,252,002            |
| 1905                         | 1,008,070           | 2,569,486            |
| 1906                         | 440,829             | 977,413              |
| 1907                         | 1,588,829           | 2,990,262            |
| 1908                         | 796,342             | 1,578,711            |
| 1909                         | 1,146,626           | 2,522,741            |
| 1910                         | 2,150,919           | 4,532,162            |
| 1911                         | 2,632,698           | 5,291,264            |
| 1912                         | 1,429,618           | 3,213,789            |
| 1913                         | 2,640,408           | 5,729,962            |
| 1914                         | 1,691,034           | 3,787,696            |
| 1915                         | 1,285,027           | 2,838,853            |
| 1916                         | 2,247,279           | 4,046,968            |
| <b>Total 1891-1916</b>       | <b>\$25,249,550</b> | <b>\$52,451,675</b>  |
| 1917                         | 3,090,157           | 4,634,837            |
| 1918                         | 2,732,017           | 3,554,480            |
| 1919                         | 3,103,006           | 3,851,272            |
| 1920                         | 2,507,985           | 2,759,541            |
| 1921                         | 3,195,259           | 3,887,959            |
| 1922                         | 1,031,019           | 1,458,934            |
| 1923                         | 2,334,062           | 2,967,252            |
| 1924                         | 3,065,508           | 3,559,552            |
| 1925                         | 7,231,827           | 8,306,766            |
| 1926                         | 2,484,197           | 2,752,025            |
| 1927                         | 2,040,911           | 2,274,092            |
| 1928                         | 1,155,524           | 1,325,453            |
| 1929                         | 1,734,331           | 1,897,881            |
| 1930                         | 1,395,355           | 1,641,396            |
| 1931                         | 471,244             | 553,393              |
| 1932                         | 226,955             | 274,415              |
| 1933                         | 186,770             | 225,114              |
| 1934                         | 2,390,535           | 2,629,544            |
| 1935                         | 338,156             | 363,565              |
| 1936                         | 2,591,508           | 2,847,117            |
| 1937                         | 1,136,838           | 1,163,238            |
| 1938                         | 869,725             | 869,725              |
| <b>Total 1917-1938</b>       | <b>\$45,303,889</b> | <b>\$ 53,788,551</b> |
| <b>Total 1891-1938</b>       | <b>\$70,553,439</b> | <b>\$106,240,226</b> |
| Less: Coke Oven Gas Property | 817,801             | 1,138,314            |
| <b>Total</b>                 | <b>\$69,735,638</b> | <b>\$105,101,912</b> |

(From Ex. 20, R. I. p. 207, with sub-totals added, and property used to transport coke oven gas deducted per Ex. 20, R. I. p. 193)

**SCHEDULE VII****HOPE NATURAL GAS COMPANY****Summary of Evidence of Interstate Rate Base—Before Depreciation  
As of December 31, 1938**

*(Exclusive of Working Capital and Capital Additions)*

**Hope Evidence**

|   |               |
|---|---------------|
| 1. Book Cost .....                            | \$ 52,730,000 |
| 2. Original Cost .....                        | 69,735,000    |
| 3. Original Cost at 1917-1938 prices .....    | 90,000,000    |
| 4. Original Cost Trended to 1938 prices ..... | 105,101,000   |
| 5. Reproduction Cost New:                     |               |
| (a) Ohio Commission—6/30/37 .....             | 100,257,000   |
| (b) Hope—12/31/38 .....                       | 97,340,000    |

**Commission Staff Evidence**

|                                  |               |
|----------------------------------|---------------|
| Staff's Adjusted Book Cost ..... | \$ 51,792,000 |
|----------------------------------|---------------|

*(From Hope Brief, p. 29)*

# SCHEDULE VIII

## HOPE NATURAL GAS COMPANY

### Investors' Appraisal of Capital Risk in Various Divisions of the Utility Business

|  | 1937  | 1938  | 1939  | 1940  | Four Year<br>Average<br>1937-1940 |
|--|-------|-------|-------|-------|-----------------------------------|
|  | (1)   | (2)   | (3)   | (4)   | (5)                               |
| Electric Utility Operating<br>Companies .....                              | 5.47% | 5.50% | 5.41% | 5.34% | 5.45%                             |
| Water Companies .....  | 5.52  | 5.39  | 5.66  | 5.23  | 5.45                              |
| Manufactured and Mixed<br>Gas Companies .....                              | 6.17  | 6.01  | 6.61  | 6.88  | 6.57                              |
| Natural Gas Companies ..   | 7.91  | 7.79  | 7.53  | 7.97  | 7.80                              |
| Natural Gas Companies<br>excluding Pacific Light-<br>ing Corporation ..... | 8.32  | 8.05  | 8.32  | 9.34  | 8.51                              |

(From Hope Brief, footnote, p. 107)

**SCHEDULE IX****HOPE NATURAL GAS COMPANY****Hope's Interstate Rate Base for Future Rates Using California  
Method of an Undepreciated Rate Base****a) Using Commission's Adjusted Book Cost as Original Cost:**

|   |                     |
|---|---------------------|
| Physical Properties and Operated Leaseholds ..... | \$51,957,416        |
| Useful Unoperated Leaseholds .....                | 566,105             |
| Working Capital .....                             | 2,125,000           |
| Net Capital Additions .....                       | 1,392,021           |
| Total .....                                       | <u>\$56,040,542</u> |

**b) Using Hope's Determination of Original Cost:**

|                             |                     |
|-----------------------------|---------------------|
| Original Cost* .....        | \$70,593,000        |
| Working Capital .....       | 2,125,000           |
| Net Capital Additions ..... | 1,392,000           |
| Total .....                 | <u>\$74,110,000</u> |

**Commission's Allowances in Future Rates:**

|                                      |                     |
|--------------------------------------|---------------------|
| For Return .....                     | \$ 2,191,314        |
| For Depreciation and Depletion ..... | <u>\$ 1,460,037</u> |
| Total .....                          | <u>\$ 3,651,351</u> |

\* Hope's original cost of physical properties and leaseholds as of December 31, 1938 plus 1939 and 1940 net additions as found by the Commission (R. I, 36).

(From Hope Brief, pp. 114, 115)

# SCHEDULE X

## HOPE NATURAL GAS COMPANY.

### "Direct Costs of Production of Gas (Exclusive of Return) and Increment of Direct Costs Year 1940 Over 1939."

[Copy of Table 12 of Cleveland Reply Brief before the Commission (p. 104)]

|  | Exhibit 67,<br>1939 | Exhibit 78,<br>1940 | Increment<br>Costs—1940<br>over 1939 |
|--|---------------------|---------------------|--------------------------------------|
| <b>"Direct Expenses of Producing Gas, Excl. of Depreciation and Depletion (Ex. 67, pp. 17, 39; Ex. 78, pp. 17, 23)</b> |                     |                     |                                      |
| 734.1 Gas Well Labor .....   | \$ 330,338.52       | \$ 347,147.21       |                                      |
| 735.1 Gas Well Supplies and Expenses..   | 130,999.56          | 164,662.01          |                                      |
| 741 Maint. of Prod. Gas Well Equip...  | 53,457.92           | 83,242.02           |                                      |
| 745 Gas Well Royalties .....   | 828,851.62          | 885,841.27          |                                      |
| Total Direct Gas Well Expenses   | 1,343,647.62        | 1,480,892.51        |                                      |
| Gross Production Tax .....   | 144,633.15          | 221,908.58          |                                      |
| Total, Incl. Production Tax ....   | 1,488,280.77        | 1,702,801.09        |                                      |
| <b>"Depreciation and Depletion (Ex. 78, p. 54)</b>   |                     |                     |                                      |
| Operated Acreage .....   | \$ 36,772.47        | \$ 57,084.00        |                                      |
| Gas Well Construction .....  | 182,755.43          | 286,492.00          |                                      |
| Cost of Abandoning .....   | 69,813.58           | 105,860.00          |                                      |
| Total Depletion .....  | 289,341.48          | 449,436.00          |                                      |
| Depreciation of Gas Well Equipment (Ex. 61, p. 21; Ex. 78, p. 26) .....  | 188,482.85          | 186,702.97          |                                      |
| Total Depreciation and Depletion   | \$ 477,824.33       | \$ 636,138.97       |                                      |
| Volume of Gas Produced—M.c.f. (Ex. 78, p. 54) .....  | 16,546,230          | 26,800,000          | 10,253,770                           |
| <b>"Direct Expenses per M.c.f. Produced</b>  |                     |                     |                                      |
| 734.1 Gas Well Labor .....   | 2.00¢               | 1.29¢               |                                      |
| 735.1 Gas Well Supplies and Expenses ..  | .79                 | .61                 |                                      |
| 741 Maint. of Prod. Gas Well Equip...  | .32                 | .31                 |                                      |
| 745 Gas Well Royalties .....   | 5.01                | 3.31                |                                      |
| Total Direct Gas Well Expenses   | 8.12                | 5.52                |                                      |
| Gross Production Tax .....   | .87                 | .83                 |                                      |
| Total, Incl. Production Tax ....   | 8.99¢               | 6.35¢               |                                      |
| <b>"Depreciation and Depletion per M.c.f. Produced:</b>  |                     |                     |                                      |
| Depletion .....  | 1.75¢               | 1.68¢               |                                      |
| Depreciation of Gas Well Equipment ...   | 1.14                | .70                 |                                      |
| Total Depreciation and Depletion   | 2.89¢               | 2.38¢               |                                      |
| <b>"Total Direct Costs of Producing Gas, Incl. Depreciation and Depletion:</b>   |                     |                     |                                      |
| Amount .....   | \$1,966,105.10      | \$2,338,940.06      | \$372,834.96                         |
| Per M.c.f. Produced .....  | 11.88¢              | 8.73¢               | 3.64¢                                |

(Copy of Appendix D, Hope Brief, p. 183)

# SCHEDULE XI

## HOPE NATURAL GAS COMPANY

Subnormality of Hope's Costs in 1940 as Shown by the Commission's Findings

|  | 1939         | 1940          | Increase<br>1940 over 1939 |
|--|--------------|---------------|----------------------------|
|  | (1)          | (2)           | (3)                        |
| 1 "Revenues from Interstate Sales ..   | \$14,866,894 | \$19,296,755" | \$4,429,861                |
| 2 "Operating Deductions [Expenses]   | 11,845,649   | 12,997,845"   | 1,152,196                  |
| 3 "Net Operating Income from Interstate Sales .....  | \$ 3,021,245 | \$ 6,298,910" | \$3,277,665                |
| 4 "Interstate Sales in M.c.f. ....   | 41,350,569   | 53,604,243"   | 12,253,674                 |
| 5 Increase in operating expenses, \$1,152,196 ÷ Increase in M.c.f. sales, 12,253,674 = 9¢ per M.c.f. |              |               |                            |

(From Hope Brief, p. 119; also lines 1, 2 and 3 quoted from Commission's "Findings as to Lawfulness of Past Rates," E. 1, p. 12; and line 4 from its Opinion, E. 1, p. 40)

# SCHEDULE XII

## HOPE NATURAL GAS COMPANY Fixed Assets, Total Sales and Revenue, Depreciation and Net Operating Gas Income per Books 1926-1940

| Year                | Fixed Assets<br>Per Books* | Hope's Total<br>Sales Per Books |           | Depreciation<br>and<br>Depletion<br>Per Books | Hope<br>Net Operating<br>Gas Income<br>Per Books | Total<br>Col. (5) + (6) |
|---------------------|----------------------------|---------------------------------|-----------|---|--|-------------------------|
|                     |                            | M.c.f.                          | Revenue   |   |  |                         |
| (1)                 | (2)                        | (3)                             | (4)       | (5)   | (6)  | (7)                     |
| (Thousands Omitted) |                            |                                 |           |   |  |                         |
| 1926                | \$ 47,164                  | 57,156                          | \$ 20,662 | \$ 2,872                                      | \$ 3,479   | \$ 6,351                |
| 1927                | 48,762                     | 52,433                          | 19,363    | 2,809   | 1,535  | 4,344                   |
| 1928                | 48,548                     | 55,081                          | 20,635    | 2,651   | 2,393  | 5,044                   |
| 1929                | 52,193                     | 57,444                          | 22,048    | 2,660   | 3,234  | 5,894                   |
| 1930                | 53,009                     | 52,649                          | 19,931    | 2,677   | 1,188  | 3,865                   |
| 1931                | 52,779                     | 47,725                          | 17,993    | 2,560   | 699  | 3,259                   |
| 1932                | 52,412                     | 37,702                          | 14,206    | 2,329   | (805) Loss                                       | 1,524                   |
| 1933                | 52,191                     | 37,080                          | 14,121    | 1,998   | 366  | 2,364                   |
| 1934                | 54,454                     | 48,535                          | 15,986    | 1,693   | 1,041  | 2,734                   |
| 1935                | 54,312                     | 47,133                          | 16,976    | 1,846   | 2,279  | 4,125                   |
| 1936                | 56,106                     | 55,679                          | 20,139    | 2,013   | 3,555  | 5,568                   |
| 1937                | 56,536                     | 58,911                          | 20,366    | 1,982   | 2,368  | 4,350                   |
| 1938                | 56,650                     | 47,921                          | 16,942    | 1,663   | 872  | 2,535                   |
| 1939                | 64,251                     | 51,344                          | 18,119    | 1,218   | 2,283  | 3,501                   |
| 1940                | 65,193                     | 69,056                          | 24,362    | 1,464   | 5,337  | 6,801                   |
| Total               | \$814,560                  | 770,849                         | \$281,849 | \$32,435                                      | \$29,824   | \$62,259                |
| Average             | \$ 54,304                  | 51,390                          | \$ 18,790 | \$ 2,162                                      | \$ 1,988   | \$ 4,150                |

\*Fixed Assets for 1939 and 1940 include former Reserve Gas Company properties merged with Hope on December 30, 1939. Other columns include operations of former Reserve Gas Company for 1940 only.

(From Hope Brief, p. 12)